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Financial reports and audited financial statements, and reports of the Board of Auditors

Implementation of the recommendations of the Board of Auditors

Report of the Secretary-General

I. Introduction

1. In paragraph 7 of its resolution 48/216 B of 23 December 1993, the General Assembly requested the Secretary-General and the executive heads of the United Nations organizations and programmes to report to it, at the same time as the recommendations of the Board of Auditors were submitted to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, on measures taken or to be taken in response to those recommendations.

2. The present report has been prepared accordingly, on the assumption that all of the recommendations made by the Board of Auditors in its report on the biennium ended 31 December 1997[1] would be approved by the General Assembly at its current session. Information is provided on measures taken or to be taken to implement the recommendations of the Board of Auditors, including a timetable where appropriate.

3. In preparing the present report, account was also taken of the provisions of General Assembly resolutions 49/216 A of 23 December 1994, in particular paragraphs 9 and 10, 49/216 B, paragraphs 3 and 4, 49/216 C, paragraph 3, 50/204 A of 23 December 1995, paragraph 4, 51/225 of 3 April 1997, section A, paragraph 10, and 52/212 B of 31 March 1998, paragraphs 3 to 5.

II. Previous recommendations not fully implemented

4. In paragraph 9 (a) of its report,[1] the Board observed that the recommendation previously made by the Board to address the deficiencies in hiring, granting remunerations and performance evaluation of experts and consultants had not been fully implemented by the Administration.

5. The recommendation was reflected in the guidance and monitoring by the Office of Human Resources Management in regard to the appointment of consultants by the substantive offices. The report of the Secretary-General on the use of consultants to be issued during the fifty-third session of the General Assembly will contain guidelines in regard to both the selection and terms of reference of consultants.

6. In paragraph 9 (b), the Board observed that the recommendation previously made by the Board to develop and implement a career development system had not been fully implemented by the Administration.

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7. As noted in paragraph 112 of the Board's report, actions taken by the Administration in line with this recommendation included establishing a career development policy emphasizing that responsibility for career growth and development must be a joint effort by the staff member, the manager and the Organization, and putting in place a number of career support mechanisms including new staff development programmes, intensive people management training and career planning workshops. Further career support initiatives were being developed in the context of the Secretary-General's overall review of the Organization's management of human resources.

III. Implementation of recommendations contained in paragraph 11 of the report of the Board of Auditors

8. In paragraph 11 (a), the Board recommended that the Administration improve monitoring to ensure that final expenditures by each section and responsibility centre are as close as possible to the allotments issued for the biennium.

9. The Administration will take appropriate measures to enhance further the monitoring of expenditures against allotments. It should be stressed, however, that ensuring that final expenditures are as close as possible to the allotments at the beginning of the biennium will be difficult. In practical terms, allotments at the beginning of the biennium are given for one year, not two. It would be impossible, therefore, for final expenditures to be close to the initial allotment. In addition, there can be substantial adjustments in the budget in the context of the first and second performance reports on account of currency fluctuations. These affect the initial budget and make it a dubious point of departure for comparison purposes. The Controller is responsible for improving the monitoring of expenditures against allotments.

10. In paragraph 11 (b), the Board recommended that the Administration integrate all accounting systems with the Integrated Management Information System (IMIS).

11. Since IMIS has not yet been implemented at the offices away from Headquarters, they must continue to use general ledger codes that their respective systems are programmed to accept. Until IMIS is implemented at those locations, the budgetary information for the offices away from Headquarters has to be processed in the existing general accounting system. From that system, information is electronically fed through interfaces into the budget information system and IMIS. In preparation for the implementation of IMIS, offices away from Headquarters have been provided with the IMIS chart of accounts to be used in the conversion of their accounts. The responsibility for implementing this recommendation belongs to the Controller and the Assistant Secretary-General for Central Support Services. The implementation of IMIS at offices away from Headquarters, excluding peacekeeping missions, will begin in the first quarter of 1999 and is scheduled to be completed by the end of that year.

12. In a related recommendation, in paragraph 11 (c), the Board further recommended that the Administration modify Release 3 of IMIS to avoid the necessity of introducing substantial adjustments of accounts receivable and accounts payable outside IMIS; provide detailed information about debtor/creditor identity in respect of each item of accounts receivable and accounts payable; and enable the Organization to actively pursue recovery, especially in long-outstanding accounts.

13. In order to address this issue, a thorough review of how receivables and payables are processed in IMIS was undertaken, on the basis of which a proposal for additional general ledger codes and corresponding posting rules in IMIS was made to ensure better management of receivables and payables. Furthermore, an offset report for the June 1998 financial reporting allows the identification of balances relating to individual payees and to the netting of those balances, where appropriate, for reporting purposes, as well as providing information allowing adjusting entries to be recorded in the system. Various changes to IMIS will be progressively implemented. It is envisaged that this recommendation will be implemented by mid-1999, with the Controller and the Assistant Secretary-General for Central Support Services being responsible for implementation.

14. In paragraph 11 (d), the Board recommended that the Administration plan its major maintenance work sufficiently in advance in order to avoid exigency contracts, to give adequate time for the approval process, to obtain competitive bids and to have sufficient time to vet the background of the contactors and vendors.

15. It should be noted that owing to the age of the buildings, an inordinate amount of emergency projects had to be undertaken. The lack of appropriate funding for such projects, aggravated by budgetary reductions in the prior biennium, resulted in deferring totally or partially a number of planned maintenance and repair projects over several bienniums.

16. In line with this recommendation, the Administration started in 1997 to develop a long-term capital master plan with a view to ensuring a rational framework and organized sequence of construction work required to upgrade and maintain the 50-year-old facilities over the next 25 years. The capital master plan will schedule repairs so as to prevent problems of competing priorities and resorting to emergency projects. The plan will be finalized by the end of 1998 and updated as necessary. Its actual implementation will be subject to the availability of funds. It should also be noted that orderly planning notwithstanding, one should be mindful of the fact that because of the age of the buildings, the need for emergency repairs will continue. The Administration intends to develop an acceptable design and procurement methodology for dealing with such emergencies. A system is currently in place to determine the eligibility of suppliers to participate in procurement conducted by the Secretariat. In addition, it is incumbent upon each procurement officer in each case to determine that the prospective awardee is responsible. Dun & Bradstreet provides a tool for making this determination. The Assistant Secretary-General for Central Support Services is responsible for implementing this recommendation.

17. In a recommendation related to procurement management, in paragraph 11 (e) the Board recommended that the Administration ensure that prospective bidders have sufficient time to respond. The Administration concurs with this recommendation and will seek to ensure sufficient time for offerors to submit their bids or proposals. The actual time allowed will vary with the procurement requirement – its complexity, urgency and criticality among other factors – but the Administration will always seek to ensure that no interested eligible supplier is denied an opportunity to compete because insufficient time is available. The Assistant Secretary-General for Central Support Services is responsible for implementing this recommendation.

18. In a related recommendation, in paragraph 11 (f), the Board recommended that the Administration include guidelines for open tendering in the Procurement Manual and specify in the Manual the frequency at which the Supplier Review Committee should review the evaluation of potential suppliers.

19. The Administration concurs with the recommendation. As noted in paragraph 103 of the Board's report, the relevant revisions will be reflected in the future updating of the Manual. It is envisaged either to expand this section or to add a new one containing more detailed guidelines specifying under what conditions public advertisement can enhance the efficiency of procurement, including the time-frame of the procurement process, complexity of requirements, etc. The Assistant Secretary-General for Central Support Services is responsible for implementing this recommendation.

20. In paragraph 11 (g), the Board further recommended that the Administration finalize the special emergency rules and procedures on humanitarian assistance without further delay. The Administration fully concurs and will ensure that the guidelines are finalized by December 1998. The Assistant Secretary-General for Programme Planning, Budget and Accounts is responsible for implementation of this recommendation.

21. As a result of its review of human resources management, the Board recommended, in paragraph 11 (h), that the Administration formulate and implement a strategy for career development without further delay.

22. In the context of the Secretary-General's overall reform programme and with the assistance of the Human Resources Task Force, the Organization is currently developing a number of career support mechanisms based on the concept of shared responsibility for career progression. The Organization is committed to providing a framework of opportunities; managers will be expected to take responsibility for developing their staff (this is being reinforced through the Performance Appraisal System); and staff, in turn, must be flexible, mobile, committed to professional development and ready to take advantage of opportunities available to them for continuous learning. Career support initiatives under way include development programmes for staff at all levels, mechanisms to facilitate mobility and tools to assist staff in career planning and managers in providing career support to staff. The Assistant Secretary-General for Human Resources Management is responsible for implementing this recommendation.

23. In paragraph 10 (i) of its report, the Board recommended that the Administration undertake a review to see whether the elimination of 59 posts as envisaged when the United Nations Office at Nairobi was established was actually achieved.

24. The total number of posts in the administrative structure was reduced by 59, as reflected in the budget document. The United Nations Environment Programme (UNEP), the United Nations Centre for Human Settlements (Habitat) and the United Nations Office at Nairobi were reduced, as both UNEP and UNCHS experienced a reduction in the level of voluntary contributions. The Administration will undertake a review to confirm this. The Director-General of the United Nations Office at Nairobi is responsible for implementation.

25. In paragraph 10 (j) of its report, the Board recommended that the Administration consider establishing a system whereby users of common services should be required to pay for such services on a cost-apportionment basis.

26. The Administration concurs with the recommendation and will address it in the course of the ongoing review of the common services throughout the Organization.

27. In a related recommendation, in paragraph 11 (k), the Board advised the Administration to request the United Nations offices at Geneva and Vienna to adopt the set of key performance indicators proposed by the Secretary-General for conference services and develop performance indicators to cover other services.

28. The Administration concurs with the recommendation and intends to pursue the matter in consultation with offices away from Headquarters in the context of the overall review of common services. The Assistant Secretary-General for Common Support Services is responsible for implementing this recommendation by July 1999.

29. In paragraph 11 (l) of its report, the Board recommended the establishment of the conference centres of the Economic Commission for Africa (ECA) and the Economic and Social Commission for Asia and Pacific (ESCAP) as separate cost centres, with all costs associated with their operation apportioned to them for more accurate determination of their profitability.

30. The recommendation is noted. The Administration will study the feasibility of its implementation and, if that proves feasible, submit proposals on the financial modalities for the operation of the conference centres of ECA and ESCAP to the General Assembly at its fifty-fourth session.

31. In paragraph 11 (m) of its report, the Board recommended that the Administration monitor and accelerate the pace of preparedness for managing the year-2000 issue; completely test for compliance all systems, including those that are considered year-2000 compliant because of their recent development, with sufficient lead time to address any deficiencies, to avoid any surprise at the turn of the century, test IMIS for year-2000 compliance; formulate contingency plans for all critical systems.

32. The recommendation is in line with the Administration's plan of action, based on the project-oriented approach, which includes also the development of contingency plans, as necessary. All necessary measures, including the upgrading of systems software and applications, will be taken to ensure full preparedness for year-2000 compliance. The Under-Secretary-General for Management is responsible for implementing this recommendation.

IV. Implementation of recommendations contained in the body of the report

33. In addition to the above-mentioned main recommendations, the Board made other specific recommendations throughout the body of the report.

34. In paragraph 23 of the report, the Board urged the Administration to consider further the Board's recommendation made in its report for the biennium 1994–1995 that the budget performance reports presented to the General Assembly be modified to reflect the actual expenditures and projections closer to the end of the biennium in the context of IMIS Release 3. The Administration will keep the feasibility of implementing this recommendation under review in the light of the availability of resources for this exercise.

35. Concerning inter-office vouchers, the Board, in paragraph 48 of its report, recommended that: (a) United Nations Headquarters review the level of supporting information provided with inter-office vouchers to ensure that sufficient details are included to enable the transactions to be verified and properly recorded; (b) United Nations Headquarters and the United Nations Office at Geneva monitor and reconcile the inter-office vouchers on a more regular basis so that by the end of a given financial period such transactions would be properly reflected in the accounts; and (c) the financial statement show the inter-office vouchers in gross terms, properly classified as transactions awaiting processing.

36. The Administration concurs with this recommendation. It should be noted that at the beginning of IMIS implementation, there were extensive backlogs in submitting inter-office vouchers and supporting documentation to overseas offices. Ongoing dialogue with overseas offices has alerted Headquarters to the nature of the difficulties connected with the introduction of IMIS, and every effort has been made, including issuing guidelines to ensure that complete supporting documentation is provided, as mentioned by the Board, to batch the inter-office vouchers and supporting documentation with a greater frequency and clarity. Currently, a thorough review of inter-office voucher processing is being undertaken with a view to simplifying the process and improving it as necessary. The Controller

is responsible for implementing this recommendation by the end of 1999.

37. In regard to cash management at the United Nations Office at Nairobi, the Board recommended, in paragraph 50, that cash flow forecasting statements be prepared and effectively used as a tool for cash management. The Administration will take appropriate measures to improve cash management, including enhancements to the Office's existing cash forecast system, full utilization of interest-bearing accounts and investment of surpluses in short-term investments in order to maximize interest generation. The Director-General of the United Nations Office at Nairobi is responsible for implementing this recommendation.

38. Concerning advances to executing agencies, the Board's recommendation in paragraph 57 of its report was that the Administration review the status of outstanding advances, particularly the old items, and obtain the relevant accounts, and that the Administration also institute measures to ensure that executing agencies provide accounts on a regular basis. The recommendation is in line with the measures undertaken by the Administration. In addition to the periodic reviews that are being conducted, an increase is envisaged in the frequency of follow-ups with agencies through the substantive departments and offices of the Secretariat.

39. Concerning bank reconciliation, the Board recommended, in paragraph 63 of its report, that ECA and the United Nations Office at Nairobi ensure that bank reconciliations are brought up to date and that non-reconciling items are promptly investigated for the necessary adjustments to be made in the accounts. The Administration concurs. Work on updating the backlog in bank reconciliations is progressing according to schedule.

40. Regarding the Gift Centre, the Board recommended, in paragraph 69, that the Administration resolve the matter regarding the sale of inventory without further delay. The implementation is in progress. Since the difference between the book value of the inventory and the price that the contractor offered for it in view of the non-saleability of some items is a contractual issue, the matter is being presented to the Headquarters Committee on Contracts for a decision. The Assistant Secretary-General for Central Support Services is responsible for completing the implementation by December 1998.

41. Concerning the procurement of recycled paper, the Board's recommendation, in paragraph 82 of its report, was that requisitioning departments not be permitted to specify manufacturers to help ensure full competition and better value for money spent.

42. The recommendation is noted. It should be recalled, however, that the requirements of the United Nations Postal Administration (UNPA), for example, are very particular and exacting in regard to paper used for postage stamps. While the products of some of the mills might be technically in line with the specifications, they might not satisfy the very strict requirements of security printing. As a result, a particular mill or paper producer may be requested not to bid.

43. In regard to the Integrated Library Management System, the Board recommended, in paragraph 87 of its report, that since the Integrated Library Management System project had been considerably delayed from the time the General Assembly authorized it during the biennium 1992–1993, the Administration should ensure that its full implementation is achieved without further delay. In line with the recommendation, the full implementation of the System was to be achieved in August 1998, when its last module, circulation, was to become functional.

44. Concerning advance payments on contracts at the United Nations Office at Nairobi, the Board recommended, in paragraph 89 of its report, that the Administration ensure that the reasons for advance payment be recorded. The recommendation has been implemented and the Administration has ensured that written justifications are on file.

45. Concerning procurement in offices away from Headquarters, the Board recommended, in paragraph 96 of its report, that the Administration ensure that instructions and the provisions of the Procurement Manual are adhered to and that economies of scale are obtained where possible. The recommendation is in line with the Administration's efforts to strengthen oversight in regard to the delegation of authority to the offices away from Headquarters on procurement and to maximize the benefits of consolidated procurement.

46. In regard to the payment of value-added tax by the Economic Commission for Latin America and the Caribbean (ECLAC), the Board recommended, in paragraph 98 of its report, that the Administration make efforts to recover the taxes improperly paid and make further attempts to resolve the issue of the tax payment on purchases with the national Government. The Executive Secretary of ECLAC will pursue the matter accordingly.

47. In paragraph 123, the Board recommended that the Administration ensure full compliance with the established instructions on engagement of consultants. The recommendation is accepted and will be reflected in the guidance and monitoring provided by the Office of Human Resources Management in regard to the appointment of

consultants by the substantive offices. The report of the Secretary-General on the use of consultants to be issued during the fifty-third session of the General Assembly will contain guidelines in regard to both the selection and the terms of reference of consultants.

48. Concerning staff recruitment and appointment, the Board recommended, in paragraph 144 of its report, that the United Nations Office at Geneva and the United Nations Office at Vienna record actions taken in the recruitment or appointment of staff so that delays can be identified, causes analysed and appropriate remedial action taken. The recommendation is being implemented through the further refinement of the appointment and promotion process and the institution of record-keeping on the progress of each case through the different phases of the recruitment process in order to analyse the causes of delay and to further streamline the process.

49. In regard to the United Nations Compensation Commission (UNCC), the Board recommended, in paragraph 172 of its report, that UNCC invite its Governing Council to review the basis of the processing fee that Governments are entitled to deduct from payments made to claimants to compensate for the costs they incurred. It is expected that the Executive Secretary of UNCC will draw the recommendation to the attention of the Governing Council of the Commission at its December 1998 meeting.

50. Concerning project management at ESCAP, the Board recommended, in paragraph 214 of its report, that the administration of ESCAP ensure that appropriate staff are allocated to projects after priorities have been identified. ESCAP has taken concrete action, in line with this recommendation, in the context of the project formulation exercise for 1999.

51. In connection with the fraud case at the United Nations Conference on Trade and Development (UNCTAD), the Board recommended, in paragraph 224 of its report, that UNCTAD introduce allotment procedures for its trust fund projects. The recommendation is being acted on by UNCTAD and is envisaged to be fully implemented by March 1999.

V. Implementation of recommendations contained in the annex to the report

52. In reviewing actions taken to implement the recommendations of the Board of Auditors in regard to the biennium ending 31 December 1995, the Board made, in the annex to its report, a number of follow-up recommendations, which are addressed below.

53. Concerning its earlier recommendation to modify the budget performance reports to be more reflective of expenditures and performance at the end of the biennium, the Board suggested, in paragraph 15 of the annex, that the Administration re-examine the matter in the context of its efforts to generate the budget performance reports with the help of IMIS. The Administration concurs and will pursue the matter.

54. In regard to the selection of consultants, the Board noted in paragraph 55 of the annex that the Board expected that the Administration would specifically address the issues of recruitment of consultants on a competitive basis and on a "sole candidate" basis as well as methods of ensuring a wider geographical base of consultants. The implementation of this recommendation will be reflected in the Secretary-General's report on the use of consultants to be issued during the fifty-third session of the General Assembly.

Notes

[1] To be issued as *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5* (A/53/5), vol. I, chap. II